United Nations A/73/425

General Assembly

Distr.: General
12 October 2018

Original: English

Seventy-third session
Agenda item 136
Programme budget for the biennium 2018–2019

Seismic mitigation retrofit and life-cycle replacements project at the Economic and Social Commission for Asia and the Pacific premises in Bangkok

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on the seismic mitigation retrofit and life-cycle replacements project at the premises of the Economic and Social Commission for Asia and the Pacific in Bangkok (ESCAP) (A/73/327). During its consideration of the report, the Committee met with representatives of the Secretary-General, who provided additional information and clarification, concluding with written responses dated 27 September 2018.

2. The report of the Secretary-General is submitted pursuant to General Assembly resolution 72/262 A, in which the Secretary-General was requested to submit to the Assembly, at the main part of its seventy-third session, a progress report on the implementation of the project.

II. Progress on the implementation of the project

Design and tender phase

3. The Secretary-General states in the report that, following the onboarding of the lead consulting firm in October 2017, a project inception report was submitted in December 2017, which set the criteria and basis for the design phase, which started in January 2018. The lead consulting firm also conducted the first value engineering workshop at the Economic and Social Commission for Asia and the Pacific (ESCAP) in February/March 2018. The peer review of the ESCAP secretariat building was completed in June 2018, while the peer review for the service building will be finalized in August 2018 (A/73/327, paras. 35–38). Upon enquiry, the Advisory Committee was provided an update on the current design and tender phase of the project. According to the update, as of September, the detailed design for all elements

of the project had been submitted by the lead consulting firm and the next submissions, consisting of the production of construction documents and the bidding package for the general contractor, would be delivered between October and December 2018. Subsequently, the request for proposals for the general contractor would be issued in early January 2019, with an expected award date in the fourth quarter of 2019. The Committee was further informed that 2019 would mostly consist of tendering activities, including bidding for the general contractor, moving and logistics services, and furniture providers.

4. In the report, the Secretary-General indicates that ESCAP has continued to brief Member States and solicit voluntary contributions from them on a regular basis and that, while no concrete offers have been made, ESCAP will follow up with the Member States that may be able to offer technical or other support expertise, such as Junior Professional Officers and non-reimbursable loans (A/73/327, paras. 5–6). **The Advisory Committee encourages the Secretary-General to continue engaging with Member States to seek voluntary contributions and other forms of support for the project.**

5. Regarding project governance, the Secretary-General states in the report that the project owner is the Executive Secretary of ESCAP, with the Director of Administration at ESCAP serving as the Project Executive, while day-to-day project execution is under the leadership of the dedicated Project Manager. The stakeholders committee meets on a quarterly basis to be briefed on the progress of the project. In addition, the dedicated project management team and the Global Property Management Service of the Office of Central Support Services of the Secretariat meet fortnightly to ensure coordination on the day-to-day execution of the project. The dedicated Project Coordination Officer is located in the Global Property Management Service in New York and is funded on a cost-sharing basis with the Africa Hall project at the Economic Commission for Africa (A/73/327, paras. 10–15).

6. The Secretary-General also indicates that the life-cycle replacement scope of the project covers the areas of fire and life safety, upgrades of heating, ventilation and air-conditioning systems, electrical systems, lighting, information technology upgrades, the facade, the roof, sewerage and plumbing upgrades and interior renovation works. The treatment of the current secretariat facade is one of the main tasks of the life-cycle replacements project, which consists of replacing the current glazing with superior, high-quality, double-glazed laminated windows with increased light transmittance and reduced heat gain and an external thermal insulation composite system to cover the concrete beams. The secretariat building roof will also undergo full replacement of the waterproofing surfaces and upgraded water collection and drainage and structural support points (A/73/327, paras. 41–42 and 44). Upon enquiry, the Advisory Committee was informed that the new configuration of windows would allow for easier maintenance and cleaning of the façade, which would reduce the need for specialized equipment to maintain the exterior. The Secretary-General also indicates that the electrical distribution systems need to be replaced and the lighting distribution system will be upgraded. In terms of structural fire protection, the structure's deficiencies include inadequate fire ratings of beams, columns and floor slabs (ibid., paras. 45–46).

7. Regarding the seismic mitigation retrofit design, the Secretary-General states in the report that the percentage of columns to be retrofitted is approximately 10 per cent of the total number of columns, whereas the percentage of beams to be retrofitted is roughly 30 per cent. Furthermore, while some small portions of the link bridge slabs were identified as requiring retrofit, there was a decrease in the percentage of wall area requiring carbon fibre reinforced polymers (A/73/327, para. 38). Upon enquiry, the Advisory Committee was informed that, during the peer review process, the structural analysis had to be modified in order to more accurately reflect the

expected behaviour of the building in a seismic event. The Committee was further informed that this had resulted in a change to the total number of columns and beams being retrofitted, although there had been no change in the scope of the project.

Swing space

8. The Secretary-General also indicates in the report that the project team has refined the approach to the overall implementation strategy, in particular regarding the swing space strategy, which allows all occupants to be accommodated in on-site swing space. The host country had previously identified temporary off-site swing space options for ESCAP, but the space would no longer be required under the revised implementation strategy, which utilizes only on-site swing space. The Secretary-General also states that this would be more cost-effective and more beneficial for business continuity. The revised strategy would increase the number of construction phases from four to five, which would reduce the number of staff in each move and reduce the swing space required from 4,000 to 2,000 m^2. The reduction would enable all swing space to be provided on site in the current ground floor of the secretariat building and in new construction of 1,200 m^2 on the ESCAP premises (A/73/327, paras. 8 and 54–57).

9. Upon enquiry, the Advisory Committee was informed that the new construction of 1,200 m^2 would comprise both new construction and an extension to the existing conference centre building. The Committee was also provided a graphical representation of the swing space strategy and new construction. The construction would utilize space in the garden and under an existing link bridge, as well as a link into the existing building to create 800 m^2 of space at the ground floor level. In addition, a mezzanine floor would be constructed in both the new and old areas to create 450 m^2 of space. Finally, a first floor would be constructed at the same level as the link bridge and would connect to the existing cafeteria dining space to add 120 m^2 to the dining area. The Committee was further informed that the space had not been considered in future rent projections and that usage of the space after the completion of the project had not been determined. **The Committee trusts that the Secretary-General will provide the General Assembly with information regarding the proposed future use of the space at the time of its consideration of the report of the Secretary-General.**

10. **The Advisory Committee notes the proposed modifications to the seismic mitigation retrofit design and the swing space strategy, including the proposed new construction. The Committee recalls that the scope of the project was approved by the General Assembly in section IV of resolution 71/272 A and stresses that any changes to project scope would require Assembly approval. The Committee expects that more detailed information on the proposed modifications will be provided to the Assembly at the time of its consideration of the present report.**

11. With regard to the resulting savings from implementing a more cost-effective swing space option, the Advisory Committee was informed upon enquiry that the previous estimated amount for off-site and on-site swing spaces was $6.53 million, while the current on-site swing space option was estimated at $4.27 million, resulting in a cost variation of $2.26 million. The Committee was further informed that that amount would now be used for previously unknown but essential fire and life safety mitigation work. **The Committee notes with concern that such essential work was previously unknown. The Committee expects that the Secretary-General will ensure that the project delivers renovated buildings that conform to relevant building codes and standards, including on seismic mitigation and workplace safety. The Committee further notes that the fire and life safety mitigation work is estimated to cost the same amount as the cost variance between the swing space**

options and trusts that the Secretary-General will provide to the General Assembly a breakdown of the costs related to the fire and life safety mitigation work to justify the estimate of $2.26 million.

Project team

12. As indicated in the report, of the seven currently approved project positions in the project team, six are encumbered, and the incumbent of the remaining position of Building Electromechanical Engineer (National Officer) is expected to be on board by 1 September 2018 (A/73/327, paras. 17–18). Upon enquiry, the Advisory Committee was informed that owing to low levels of interest from qualified applicants, the posting period had to be extended twice, and the position was still under recruitment. **The Committee trusts that the Secretary-General will expedite the recruitment of the remaining position of Building Electromechanical Engineer (National Officer).**

13. The Secretary-General requests the establishment of two temporary positions, effective 1 January 2019: one on-site Information Technology Assistant (Local level) to support the information technology infrastructure design works related to on-site swing space construction; and one Logistics and Coordination Officer (National Officer) for the planning, oversight and management of the on-site swing space accommodation (A/73/327, para. 82 (a)). Upon enquiry, the Advisory Committee was informed that in the original budget, the Logistics and Coordination Officer position was to become available in 2019 and the Information Technology Assistant position in 2020. The position is now being brought forward to 2019 to ensure that information and communications technology infrastructure is integrated into the project at the design phase in order to plan for any future technological shifts, support a dynamic working environment and facilitate work with strategic partners in technology, including the Office of Information Communications Technology in New York. The Committee was further informed that there would be no impact on the overall budgeted cost or on the total duration of the position, which would remain at three years. **The Committee recommends approval of the establishment of the two temporary positions.**

Energy efficiency

14. According to the report, the project will aim for compliance with Leadership in Environmental and Energy Design for building renovation projects and the WELL building standard (a building standard that measures occupant wellness in the built environment). As projected in the 2016 report of the Secretary-General (A/71/333 and Corr.1), the project would achieve a 16–18 per cent energy efficiency gain (A/73/327, paras. 48–49). Upon enquiry, the Advisory Committee was informed that the target energy efficiency gain would comprise the following: upgrade of the façade (47 per cent); new daylighting controls (17 per cent); and upgrades to the heating, ventilation and air conditioning system (36 per cent). The Committee was also informed that the current energy consumption in the ESCAP secretariat building stood at 3.04 GWh per year. With a post-project consumption estimated at 2.42 GWh per year, a reduction in annual energy consumption of 0.62 GWh per year is projected, which would exceed the 18 per cent target energy efficiency gain. **The Committee welcomes the expected energy efficiency gain from the project and encourages the Secretary-General to continue to ensure that the project is energy-efficient and in compliance with applicable standards.**

Accessibility

15. According to the report, a campus-wide accessibility assessment conducted by the expert consultants was completed on 8 October 2017 with the final approval of the accessibility report issued by the ESCAP accessibility working group in J[illegible]

2018. The interior renovation works in the secretariat building will incorporate, as part of the design, accessibility features that are identified in the accessibility road map and that comply with United Nations and international standards (A/73/327, paras. 50 and 53). **The Advisory Committee expects that the results of the accessibility assessment will be fully taken into account in the design of the project and its implementation.**

Risk management

16. With respect to risk management, the Office of Central Support Services has, in consultation with the ESCAP project team, established a risk management strategy for the project. Following a risk workshop conducted in March 2018, the project risk management strategy document, a risk register and a quantitative (Monte Carlo) analysis of risks were produced. An independent risk management firm will also produce two annual reports in July 2018 and in the first quarter of 2019 (A/73/327, paras. 21–22). Upon enquiry, the Advisory Committee was informed that the contract amount for the independent risk management firm is $140,000, as compared with the budgeted amount of $233,000. The Committee was further informed that, as a result, additional funds were available should additional risk management services be required on the project.

17. According to the report, the Monte Carlo simulation shows that at the United Nations benchmark level of 80 per cent, the project would be expected to come in at approximately $42.5 million, or $2.5 million over budget. The Secretary-General further indicates that there is a relatively low level of confidence, or roughly 12 per cent, that the project will be completed within the approved project budget of $40.019 million without further risk mitigation action. He also states that, in order to proactively manage the risk, the Secretariat conducted value engineering exercises to target optimal solutions at a lower cost without compromising quality, and to identify strategies for reducing the risk of budget overruns. The project team would then be able to issue final construction documents for bids to deliver the actual cost of the construction phase within budget (A/73/327, paras. 21–26). In addition, he states that he remains fully confident that the project will be completed within allocated budgetary resources and the approved project duration (ibid., para. 4). **The Advisory Committee expects the Secretary-General to take all necessary measures to ensure the delivery of the project within the scope, budget and timeline approved by the General Assembly. The Committee also trusts that the next report of the Secretary-General will include an update on risk management and the mitigation measures taken.**

Project accountability

18. By its resolution 71/272 A, the General Assembly requested the Secretary-General to entrust the Office of Internal Oversight Services (OIOS) with providing oversight of the project and to include information on key findings in the context of the annual reports of the Office on its activities. In paragraph 76 of the report, the Secretary-General states that OIOS conducted its second audit of the project in early 2018 and an on-site mission to the ESCAP premises in Bangkok in February 2018. **The Advisory Committee trusts that the Secretary-General will ensure the implementation of the recommendations of OIOS.**

III. Project schedule and cost plan

19. With respect to the project schedule, the Secretary-General states that owing to the lead time required for preparing on-site swing space, construction works would

begin in early 2020 instead of mid-2019 as had previously been reported. In order to comply with the December 2023 completion date, closeout periods would begin after the completion of each of the five construction phases, with the final closeout phase reduced from 12 to 6 months. The shift in the construction period is attributable mainly to a longer-than-anticipated design, construction and procurement period for the swing space, and a longer-than-anticipated design period for the main works. However, he indicates that the shift in schedule is not expected to result in additional project costs (A/73/327, paras. 65–68).

20. With respect to project costs, the Secretary-General submits a proposed revised cost plan. Upon enquiry, the Advisory Committee was provided with the table below, which shows a comparison between the previous and proposed revised cost plans. **The Committee is of the view that where the Secretary-General proposes a revised and substantially different project cost plan, it would be a good practice for the Secretary-General to provide the comparative information and explanations relating to both the original cost plan and the revised cost plan in his report. The Committee recommends that such comparative information be provided for all future construction projects, as required.**

Comparison between previous and proposed revised cost plans

	A/72/338	*A/73/327*	*Difference*	
	(a)	*(b)*	*(b)-(a)*	*Reasons for the difference*
Construction costs				
Building costs	18 284.8	20 358.0	2 073.2	Change in the construction methodology from 4 to 5 phases
Swing space costs	6 341.2	4 268.0	(2 073.2)	Change from a combination of both off-site and on-site swing spaces to an on-site only solution
Physical security system	190.0	190.0	–	
Subtotal, construction costs	**24 816.0**	**24 816.0**	–	
Professional services				
Lead consultancy firm	1 890.4	2 522.8	632.4	Reflects the awarded contract of the lead design consultant, following a competitive procurement process
Seismic design	98.2	134.4	36.2	Increase in required services to include analysis of two pedestrian bridges linked to the secretariat building
Risk management	233.2	233.2	–	
Other services	147.7	349.7	202.0	Reduction in project quality assurance services, offset by an increase in required third-party peer review and change management services
Subtotal, professional services	**2 369.5**	**3 240.1**	**870.6**	
Escalation	**4 759.7**	**3 889.1**	(870.6)	Reflects the recalculation of escalation, on the basis of the new construction methodology and the revised base year of 2018
Contingency	**3 194.5**	**3 194.5**	–	
Project management	**4 879.3**	**4 879.3**	–	
Total	**40 019.0**	**40 019.0**	–	

21. With regard to expenditures, the Secretary-General states in the report that the approved funding for 2017 and 2018 amounts to $4,934,600, with actual expenditures

as at 30 June 2018 amounting to $1,871,100, and projected expenditures for the remainder of 2018 amounting to $1,901,100. The variance of $1,162,400 is attributable mainly to the following factors:

(a) Unused balance of $1,899,000 under construction costs: owing to the revised implementation and swing space strategy, the construction of swing space will not begin until 2019;

(b) Overexpenditure of $907,100 under professional services, attributable mainly to the contract for the lead consulting firm which exceeds the estimated costs;

(c) Unspent balance under escalation, in the amount of $246,800;

(d) Projected increase of $110,100 under project management costs related mainly to the onboarding costs of the project staff and the official travel of team members in 2017 (A/73/327, paras. 80 and 81).

22. With regard to the overexpenditure of $907,100 under professional services, the Advisory Committee was informed upon enquiry that the contract of the lead consulting firm was awarded at $632,000 over the budgeted amount of $1.89 million following a competitive procurement process. The Committee was further informed that given the high degree of uncertainty in terms of the actual amount of construction oversight required, it was possible that the amount of required services could be reduced so as to avoid spending the full contracted amount. **The Committee notes with concern that the procurement process for the contract for the lead consulting firm has resulted in a contract award that exceeds the budgeted amount by $632,000, for a total of $2.5 million, and trusts that relevant measures will be taken to reduce the amount of required services and related expenditure. The Committee expects the next report of the Secretary-General to include further information on the actual costs under professional services.**

23. With respect to the projected increase of $110,100 under project management costs, the Advisory Committee was provided upon enquiry with the following breakdown: onboarding costs related to the two positions (1 P-4 and 1 P-5) in the project management team ($52,100); increase in the cost of the P-4 Project Coordination Officer at Headquarters ($33,300); and travel expenditure ($24,700) for the travel of two staff members from the United Nations Office at Nairobi and the Office of Central Support Services to participate in the technical evaluation committee for the lead consulting firm contract. **The Committee is of the view that, as these costs related to the recruitment and travel of staff are known costs, the related amounts should have been factored into the budgeting for the project cost plan. While the Committee does not object to the projected increase under project management costs for 2018, it underscores the importance of accurate budgeting in project cost plans.**

24. With regard to rental income, the Secretary-General indicates in the report that the rental charge for 2018–2019 is $264 per annum per square metre for United Nations agencies, funds and programmes and $279.60 for commercial tenants. The income from the rental of premises in 2018–2019 is estimated at $7,014,554 (A/73/327, para. 72).

Contingencies

25. The cost plan includes $3.194 million as contingency funding, with a projected expenditure of $333,000 for the period from 1 July to 31 December 2018 (A/73/327, table 3). Upon enquiry, the Advisory Committee was informed that although there was no intention to spend contingency funding in 2018, the amount of $333,000 for contingency expenditure was being retained in the current projection to cover potential [illegible] contract [illegible] [illegible] circumstances. The

Committee was further informed that if the contingency were unspent, the amount would be rolled over into 2019. **The Committee considers that the amount of $333,000 under contingency funding is not fully justified and trusts that the next report of the Secretary-General will provide more detailed information.**

IV. Conclusion

26. The recommendations of the Secretary-General on proposed actions to be taken by the General Assembly are set out in paragraph 85 of the report. **Subject to its recommendations and observations above, the Advisory Committee recommends that the General Assembly:**

(a) **Take note of the progress made since the issuance of the previous report of the Secretary-General;**

(b) **Take note of the revised project cost plan;**

(c) **Approve the establishment of two temporary positions (one National Officer and one Local level), effective 1 January 2019, in the project support team, under section 19, Economic and social development in Asia and the Pacific, of the programme budget for the biennium 2018–2019;**

(d) **Appropriate a net amount of $4,484,500 for project activities in 2019, comprising $1,065,500 under section 19, Economic and social development in Asia and the Pacific, and $3,419,000 under section 33, Construction, alteration, improvement and major maintenance, of the programme budget for the biennium 2018–2019, which would represent a charge against the contingency fund.**